



# **Floor Report of the 2010-11 State Budget**

**OCTOBER 7, 2010**

**Bob Blumenfield**

CHAIR, ASSEMBLY BUDGET COMMITTEE



## SUMMARY

---

The document summarizes the 2010-11 budget package, which provides \$18.2 billion in solutions to address the continued budget deficit that mirrors California's slow recovery. The package also includes budget and pension reform provisions. This budget package results in a final budget reserve of \$364 million.

California's budget reflects the harsh reality of diminished resources forced by the recession and mirrors the difficult decisions millions of our residents must make in these lean times.

However, this budget reflects the key guiding principles that the Assembly Budget Committee developed for crafting final budget agreement: This Budget protects Jobs, maintains education spending, and protects against safety net cuts that would actually do more harm than good to our economy and ongoing budget challenges.

### **Key Elements of the Final Budget Package are as Follows:**

- ◆ **Bridges the Deficit.** Closes the \$17.9 billion General Fund shortfall and provides a reserve of over \$364 million.
- ◆ **Protects 430,000 Jobs.** Protects the 430,000 private sector, local government, and local school jobs that would have been eliminated under the Governor's May Revision and provides Small Business investments to benefit thousands of small businesses.
- ◆ **Protects School Funding.** Maintains programmatic school funding levels at last year's level, which is approximately \$2 billion higher than proposed in the Governor's May Revision.
- ◆ **Continues Institutions Californians Depend Upon.** Funds programs the Governor proposed to eliminate, including CalWORKs, Adult Day Health Care, Child Care programs, and Community Mental Health programs.
- ◆ **Fully Funds UC and CSU.** Retains \$610 million (\$212 million from federal funds) for the University of California and California State University systems to avoid new cuts.
- ◆ **Makes Deep Cuts.** Closes the gap with approximately \$7.5 billion (about 40% of overall solutions) in expenditure cuts in almost every policy area of state government.
- ◆ **Contains Pension Changes Insisted on by the Governor.** Includes provisions to make major reforms to the state pension system the roll back SB 400

# THE 2010-2011 STATE BUDGET

## FLOOR REPORT

retirement formulas, end pension spiking, and increase transparency of CalPERS.

- ◆ **Includes Budget Reform Provision.** Includes a revised budget reform proposal that would increase California's rainy day and require unanticipated revenue spikes to be deposited in that fund, while lowering the annual required deposit into the Rainy Day Fund.
- ◆ **Protects Californian Families from Higher Taxes.** Makes no broad based tax increases, and achieves \$1.2 billion in savings by delaying implementation of the Net Operation Loss corporate tax reduction. Includes provisions to address the underreporting penalty for corporate tax and the cost of performance corporate tax.

### How the Gap is Closed

The budget package provides \$18.3 billion of solutions to address the deficit. The chart below illustrates how the deficit is addressed:

	\$ Billions
<b>Starting Problem</b>	<b>-17.9</b>
Expenditure Reductions	7.5
Baseline Workload Costs	-0.2
Federal Funds	5.3
Alternative Funds	0.5
Fund Shifts	2.8
Additional Revenue	2.4
<b>Total Solution</b>	<b>18.2</b>
<b>Final Reserve</b>	<b>0.4</b>

How the package's \$18.2 billion of solutions are constructed:

- ◆ **Expenditure Reductions.** \$7.5 billion in program reductions and cuts. These solutions are detailed by policy area and reflect the targeted cuts to achieve efficiency and provide leaner levels of services in order to preserve California's public infrastructure.
- ◆ **Updated Workload Costs.** \$244 million in additional workload budget costs that reflect current expenditure data for the 2010-11 fiscal year
- ◆ **Additional Federal Funds.** \$5.3 billion in federal funding based upon the Administration's latest estimate of available federal funds
- ◆ **Alternative Funding.** \$470 million of alternative funding, including use of hospital fee revenue to support children's health coverage in Medi-Cal and the

# THE 2010-2011 STATE BUDGET

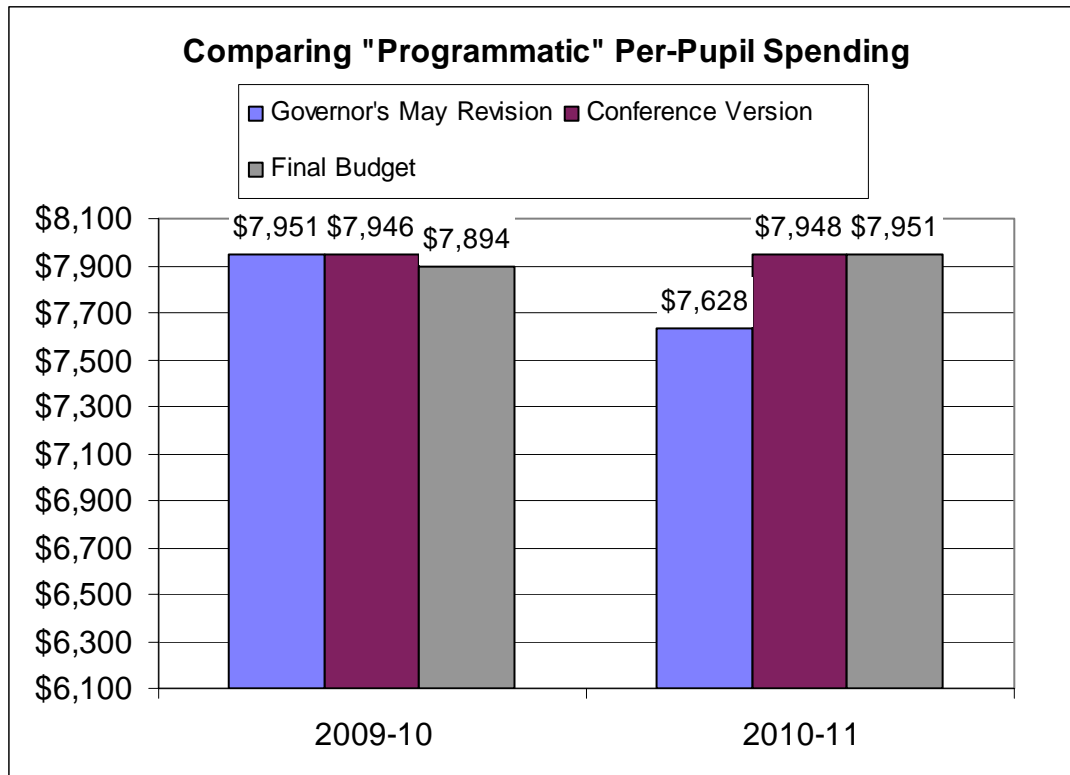
## FLOOR REPORT

use of excess Student Loan Operational Funds.

- ◆ **Fund Shifts and Other Revenues.** \$2.9 billion in fund shifts including the revenues related to the sale lease-back of the state buildings authorized in the 2009-10 budget package and other loans and special fund transfers.
- ◆ **Additional Revenues.** \$2.4 billion in additional revenue, reflecting the latest revenue projections from the Legislative Analyst's Office and the impact of delaying the implementation of the Net Operating Loss corporate tax reduction for an additional two years.

### **Specific Information on K-12 Funding Levels**

The final budget package provides a higher level of overall K-12 education funding in 2010-11 than either the Conference Budget or Governor's May Revision. The chart below illustrates the amount of overall Programmatic Funding for schools:



Calculating the Programmatic Funding level includes State General Funds, property taxes revenue, one-time funding, settle up payments, and ARRA funding and other federal funds available for schools programs.

# THE 2010-2011 STATE BUDGET

## FLOOR REPORT

### Other Major Policy Issues

There are two major policy changes contained in the budget package.

◆ **Pension Reform.** The Pension reform provision makes three basic changes:

1. **Rolls back SB 400 pension benefits for new employees.** All new employees, in state bargaining units that do not currently have an MOU, would be returned to the pension benefit levels that existed prior to the adoption of SB 400 in 1999. These levels are detailed in the chart below:

Retirement Category	Current Formulas	Proposed Formulas
Miscellaneous; including CSU, and Judicial	2% at Age 55 (up to 2.5% at 63)	2% at Age 60 (up to 2.418% at age 63)
Industrial	2% at Age 55 (up to 2.5% at 63)	2% at Age 60 (up to 2.418% at age 63)
State Safety	2.5% at Age 55	2% at Age 55
Peace Officer and Firefighters in CSU, Legislative and Judicial	3% at Age 50	2.5% at Age 55

2. **Addresses Pension "Spiking."** Requires three-year final compensation method of calculating benefit levels for all new state employees who are not already under this calculation method. This change applies to bargaining units that do not already have an MOU in effect.

3. **Transparency.** Requires a report of CalPERs actuarial assumptions.

◆ **Budget Reform Proposal.** Makes three major changes to create a stronger "rainy day fund" for California.

1. Makes the existing Proposition 58 rainy day fund larger and makes it harder to stop making an annual contribution.
  - Increases the size of the state rainy day fund to 10 percent, from 5 percent of General Fund Revenue.
  - Requires the State to always make the 3 percent payments into the rainy day fund, except in years when the State has a deficit big enough to start using the rainy day funding.

## **THE 2010-2011 STATE BUDGET**

### **FLOOR REPORT**

- Allows half of the annual payment into the rainy day fund to be used for one-time infrastructure and debt service.
2. Restricts the use of the funds in the rainy day fund to rainy days.
- Funds can be used to cover a budget shortfall--up to the pervious year's expenditures adjusted for inflation and population growth.
  - Includes a "50-25-25 regulator" provision that prevents using all of the rainy funds in one year.
  - If the rainy day fund exceeds 10 percent of General Fund Revenue, annual payments to the fund stop and any excess funding can be used for one time purposes defined in the measure.
3. Captures "unanticipated revenue" for the rainy day fund.
- Finance creates a projections of expected revenue based on the state's last twenty years of revenue performance.
  - Any revenue that is received above that trend line is "unanticipated" and must be put in the rainy day fund, until the Rainy Day Fund Reaches 10 percent of General Fund revenues.
  - Any new revenue that is needed to meet our Proposition 98 obligation is excluded, so Proposition 98 is fully funded without encroaching on funding for other programs.

# THE 2010-2011 STATE BUDGET

## FLOOR REPORT

### **Key Differences With Conference Version:**

The vast majority of the budget proposal is consistent with the August 27, 2010 conference version of the 2010-11 budget. Below are key differences between the proposed budget package and the conference version.

#### **◆ Less Revenue Increases:**

As referenced above the budget package contains only \$2.5 billion in additional revenue assumptions. The budget package relating to revenues has been modified since the August 27, 2010 conference version as follows:

- No longer delays new corporate tax cuts including the Elective Single Sales Factor change for apportioning corporate income and the new tax credit sharing rules.
- No longer includes revenues from a new Oil Severance Tax and a corresponding reduction in the state sales tax.
- No longer includes any revenues related to tax reform.
- No longer includes various tax enforcement efforts, including requiring the collection of Sales and Use Tax by out-of-state Internet retailers.

#### **◆ Increased Programmatic Funding for Schools:**

The budget package now includes the following key changes to K-14 education spending:

- Provides an additional \$300 million in settle-up payments to schools in the budget year.
- Changes K-12 school spending accounting to defer \$1.7 billion in payments in to the next fiscal year. This reduces the amount of money the state spends in the 2010-11 fiscal year, but provides the same level of programmatic funding for schools.
- Changes California Community Colleges spending accounting to defer \$189 million in payments in to the next fiscal year.
- Provides for an additional \$20 million in Career Technology funds for the California Community Colleges.

# THE 2010-2011 STATE BUDGET

## FLOOR REPORT

### ◆ **Changes to Health and Human Services Programs:**

The budget package includes the following changes since the August 27, 2010 conference version as follows:

- Continues to protect child care, but assumes an additional reduction of \$48 million through a modest reduction in the license-exempt rates and a small reduction in administrative funds.
- Reduces the unallocated reduction in hours to the In Home Supportive Services (IHSS) program to 3.6 percent and assumes additional caseload savings based on actual caseload numbers in 2009-10. These reductions along with a new provider fee will provide \$300 million in General Fund relief in the budget year, which is an additional \$50 million over what was assumed in the prior conference version.
- Continues to maintain health programs, but scores additional General Fund savings related to shifting expenditures to special fund sources and federal funds. Also includes reduction of discretionary General Fund expenditures related to immunizations and a new proposal to contain costs at the State mental hospitals.

### **Federal Funds:**

The Governor and Department of Finance have updated their estimate of anticipated federal funds by \$2 billion.

### **Other Changes:**

The budget package also includes the following additional changes:

- Provides an additional \$4.2 million General Fund for the County Veteran Service Offices to improve Operation Welcome Home services for returning veterans.
- Includes no realignment proposals to shift inmates from state prison to county jails.
- Shifts over \$13 million in water quality and water rights program expenditures from fees to the General Fund.



## Overall Highlights of the Final Budget

### Education (Proposition 98)

◆ **Overall Proposition 98:**

- Provides an ongoing Proposition 98 funding level of \$49.7 billion for 2010-11. This level, coupled with K-14 inter-year deferrals of \$1.9 billion, one-time funds, and a \$300 million payment toward "settle up," brings total Proposition 98 funding to \$52.5 billion.

◆ **K-12 Education:**

- Begins paying the approximately \$1.8 billion in "settle-up" payments owed to schools for the 2009-10 fiscal year with a \$300 million payment in 2010-11.
- Defers approximately \$1.7 billion in K-12 spending to the next fiscal year;
- Qualifies California for an additional \$1.2 billion in new federal funding for education.
- Protects the K-3 Class Size Reduction program through a statutory appropriation that allows for full funding of the program.

- ◆ **Invokes the Suspension Provision of Proposition 98:** The Final Budget acknowledges that state revenues are insufficient to fully fund the Proposition 98 minimum guarantee, making suspension necessary. But the suspension is done in a way that protects the integrity of Proposition 98, unlike the Governor's legally-suspect proposal to manipulate the minimum guarantee. The suspension statute also maintains the constitutional standing of the maintenance factor created as part of last year's budget deal and enables funding for schools to recover as the economy rebounds.

# THE 2010-2011 STATE BUDGET

## FLOOR REPORT

### How Education Spending Stacks Up.

The Final Budget package provides a higher level of overall K-12 education funding in 2010-11 than either the Conference Budget or Governor's May Revision. While this will help schools avoid further cuts, funding will not exceed it the 2007 level of funding.

Year	2007-08 Funding Level	2009-10 Legislative Budget	Governor's Proposed 2010-11	Final Budget 2010-11
Total K-12 Programmatic	\$48.6 million	\$47.2 billion	\$44 billion	\$47.1 billion
Per Pupil	\$8,175	\$7,963	\$7,423	\$7,951

### Child Care and Development

- ◆ **Protects the Child Care and Development Program.** The Legislature's Budget rejects the Governor's May Revise proposal to eliminate CalWORKs child care and protected child care for about 151,000 children (51,236 in Stage 1; 61,342 in Stage 2, and 38,165 in Stage 3).
- ◆ **Restores Negative Cost-of-Living Adjustments.** The Legislative Budget rejects the Governor's \$5.9 million negative Cost-of-Living Adjustment (COLA) that would have impacted child care services.
- ◆ **Makes technical adjustments that do not impact Child Care Slots.**
  - Approves lowering the reimbursement rate ceilings for license-exempt child care providers from 90 percent to 80 percent of the 85<sup>th</sup> percentile of the 2005 Regional Market Rate Survey.
  - Reduces the Alternative Payment agencies' administrative allotment from 19 percent to 17.5 percent of the original contract amount to 17.5 percent.
  - Approves limiting local child care center reserves to five percent of contract amounts. Previously there had been no limit on the size of the reserve for certain types of centers.
- ◆ Approves placing a measure on the ballot to repeal the After School Education and Safety (ASES) Program (Proposition 49) continuous appropriation, and if it passes, add the ASES program into the K-12 flexibility item.

# THE 2010-2011 STATE BUDGET

## FLOOR REPORT

### Higher Education

- ◆ **Restores Funding for UC and CSU:** The Legislature's Budget restores \$610 million in funding for UC and CSU in last year's budget.
- ◆ **Provides Increase for Community College Job Training and Categorical Programs:** The Legislature's Budget provides \$25 million to double the funding for the Economic Development Program, which successfully provides job-training to get unemployed Californians back to work. Provides \$35 million in categorical programs to restore the loss of Federal stimulus funds.
- ◆ **Defers an additional \$189 million:** \$129 million is from community college apportionment payments, \$35 million from categoricals, and \$25 million from Economic Development Program from January through June to July of the next fiscal year for fiscal year 2010-11.
- ◆ **Fully funds and protects the Cal Grant Programs from the Governor's January proposal to eliminate the Competitive awards, which supports non-traditional students:** The Cal Grant Programs is a \$1 billion state investment to provide access and affordability to all forms of higher education institutions to socio-economically disadvantage California students.

### Health

- ◆ **Fully Funds Healthy Families:** The Legislature's Budget fully funds the Healthy Families program to enable children of working families to have access to health care.
- ◆ **Rejects Governor's Elimination of Adult Day Healthcare:** The Legislature's Budget rejects the Governor's call to eliminate Adult Day Health Care. Not only would eliminating these services be devastating to individuals dependent upon the program, but it would be fiscally irresponsible with more individuals needing to rely on more costly institutional care.
- ◆ **Rejects Governor's Medi-Cal Cuts:** The Legislature's Budget rejects the Governor's Medi-Cal cuts, including cuts to programs for legal immigrants who have played by the rules, and funding for critical family planning services which receive a 9-to-1 federal match. The Jobs Budget also rejects numerous cuts to Medi-Cal that would have violated federal laws and greatly reduced access to health services for the state's lowest-income families. To help address the state's fiscal crisis, the budget discontinues coverage for Medicare Part B premiums and over-the-counter acetaminophen products (excluding children's Tylenol).

## THE 2010-2011 STATE BUDGET

### FLOOR REPORT

- ◆ **Protects Community Mental Health:** The Legislature's Budget rejects several proposals that collectively would decimate community mental health services, increase crime, increase costs through state mental hospitals, emergency rooms, and jails, and return the state to conditions in the 1960s, before the deinstitutionalization of mental health care (including for children). Alternatively, the budget increases accountability and contains costs by capping rates paid for outside medical care for state hospital patients.
- ◆ **Rebuilds the State's Public Health Infrastructure:** The Legislature's Budget recognizes that protecting the public health is a core function of state government, and therefore rejects cuts to, and rebuilds, key public health programs including the Every Woman Counts Program and the Prostate Cancer Treatment Program. To help address the state's fiscal crisis, the budget continues a reduction from last year to the immunizations program and shifts Prop 99 funding to Medi-Cal. However, it also restores funding for programs single-handedly eliminated by the Governor last year, namely HIV/AIDS and maternal, child, and adolescent health programs.
- ◆ **Adopts the Governor's DDS 1.25 percent reduction:** The Legislature's budget adopts the Governor's additional 1.25 percent reimbursement reduction for Purchase of Services and Regional Center Operations, to save the General Fund \$25 million.
- ◆ **Reflects the Governor's closure of Lanterman Developmental Center:** The Legislature's budget adopts the closure of Lanterman Developmental Center to transition consumers into the community. Several pieces of language have been adopted, including the expansion of Adult Residential Facilities for Persons with Special Health Care needs (962 Homes) and ensuring continuity of care by allowing Lanterman staff to be contracted out in the community.

### Human Services

- ◆ **Maintains CalWORKS Program:** The Legislature's Budget maintains the CalWORKS program to provide a basic safety net plus provide valuable and successful employment training and job skills to unemployed and underemployed parents so that they can adequately care for their children. CalWORKS is primarily federally funded and brings over \$5 billion in federal funds that are recycled in local California Communities.
- ◆ **Protects IHSS for Aged, Disabled Consumers:** The Legislature's Budget restores funding for IHSS to ensure that aged and disabled needy Californians can continue receiving the services they need to stay out of costly institutions and to hold onto their quality of life. The final Budget establishes a provider fee mechanism which will generate approximately \$190 million in General Fund savings, scores \$75 million in caseload savings, and achieves a last \$35 million

## THE 2010-2011 STATE BUDGET

### FLOOR REPORT

in savings from a temporary across the board reduction to authorized hours of 3.6%, in effect until June 30, 2012.

- ◆ **Additional IHSS Changes:** As part of the IHSS package, the service reductions and reduction in the state participation in wages that were part of last year's budget are suspended until July 1, 2012. Additionally, on a going forward basis, provider applicants will not be allowed in the program if they were convicted of a serious or violent felony, a sex offender felony, or serious government fraud if the crime occurred within the last ten years unless the provider seeks either an individualized waiver from their intended consumer or a general exception through a process with the Department of Social Services.
- ◆ **Rejects Harmful Cuts and Their Dramatic, Negative Cost Shifts:** The Legislature's Budget rejects cuts to SSI/SSP recipients, including programs for vulnerable, needy legal immigrants who have played by the rules, and Medi-Cal Drug services.
- ◆ **Restores Critical Funds Vetoed by the Governor Last Year:** Restorations include \$80 million for Child Welfare Services and \$6.4 million for core aging nutrition and support programs.

### Transportation

- ◆ **Reflects Prop 58 Session Actions:** The Legislature's Budget accepts the Governor's General Fund savings proposals consistent with the Proposition 58 Session actions.
- ◆ **Approves Doyle Drive P3:** Approves \$1.1 billion in state and federal transportation funding over an anticipated 30 year period to fund a public private partnership (P3) to repair the Presidio Parkway Project (Doyle Drive) in San Francisco.
- ◆ **Authorizes Changeable Messaging Signs:** The Legislature's Budget authorizes the administration to generate revenue through the installation of Changeable Messaging Signs on the State Highway System that can carry advertisements.

### Resources

- ◆ **Provides Funding for State Parks:** The Legislature's Budget provides \$133 million for the state parks system, this includes a budget reduction of \$7 million.

## THE 2010-2011 STATE BUDGET

### FLOOR REPORT

- ◆ **Eliminates Various Fee Increases:** The Legislature's budget eliminates various fee increases that would have generated \$13 million to fund existing water quality programs. The budget, rather, backfills the lost revenue with General Fund.

### General Government

- ◆ **Restores Domestic Violence Shelters Funding:** Not included in the Governor's Budget and eliminated last year, the Legislature's budget restores \$20.4 million for statewide domestic violence shelters in California, as administered by Cal EMA.
- ◆ **Rejects Governor's Emergency Housing Assistance Program fund sweep:** The Legislature's budget rejects the \$4.2 million sweep of EHAP funds. These funds are used for emergency shelters, transitional housing projects, and supportive services for homeless individuals and families.
- ◆ **Funds County Veteran Service Offices:** The Legislature's Budget funds County Veteran Service Offices (CVSO's) with an additional \$5 million in local assistance funds to help support Operation Welcome Home.
- ◆ **Funds unique Program for Iraq and Afghanistan Veterans:** The Legislature's budget funds the Pathway Home, a residential recovery transition center located in the grounds of the Veteran Home of California –Yountville. The program cares for combat veteran's returning from Iraq and Afghanistan.
- ◆ **Extends Prop 1C Liquidation Period:** The Legislatures budget grants a 3-year extension for the liquidation period available for Infill Incentive Grant Program (IIG) and Transit-Oriented Development (TOD) Program funds allocated in 2007, 2008 and 2009 budgets.

### Public Safety

- ◆ **Reduces Prison Health Costs:** The Legislature's Budget achieves \$820 million in savings by accepting the Governor's proposal to reduce support for the Prison Receiver's Medical Services Program to a per-inmate medical cost level that is comparable to other states' correctional health care programs.
- ◆ **Division of Juvenile Justice Parole Realignment:** The Legislature's Budget implements the realignment from parole, to local supervision of juvenile offenders upon release from a state juvenile facility. The state will provide locals with resources (\$15,000 per offender) to supervise these juvenile offenders and achieve savings by phasing out state juvenile parole resources.

## THE 2010-2011 STATE BUDGET

### FLOOR REPORT

- ◆ **Keeps Courts Open:** The Legislature's Budget ends the one-day per month closing of trial courts and additional layoffs of court employees by providing funding to keep California's courts operating full-time. This funding is a result of various fee increases and the redirection of court construction funds and does not negatively impact the General Fund.

### Employee Compensation

- ◆ The Legislature's Budget achieves \$896 million in savings by requiring the Administration to reduce departmental appropriations to reflect reductions in employee compensation achieved through the collective bargaining for represented employees and through administrative action to achieve a proportionate reduction for non-represented employees.
- ◆ The Legislature's Budget achieves \$547.7 million in savings through a five percent reduction to departmental personnel costs via Executive Order S- 01-10 and by pre-funding other post employment benefit costs.

### Local Government

- ◆ **Accelerates Payment of Local Government Mandates:** The budget proposal allows local governments to sell \$700 million in mandate claim receivables to a Joint Powers Authority. This will allow them to receive cash upfront, while the state would make regular budgeted payments over the next 10 years. This proposal is based on the successful JPA used by local governments last year to accelerate the \$2 billion in Prop 1A suspension repayments.

### Revenue

- ◆ **Corporation Taxes:** The budget proposal continues the suspension of net operating loss deductions for businesses for the 2010 and 2011 tax years. The proposal also provides an exemption from the suspension for small businesses and makes additional changes in how sales are assigned for purposes of apportioning income to California. This corporate tax changes will result in additional revenues during the budget year of \$1.2 billion to support education and other programs.
- ◆ **Tax Compliance and Fees:** The budget proposal continues the inclusion of a use tax reporting line on income tax returns. This reporting method will assist taxpayers in the remittance of the use tax owed on the purchase of taxable items. The proposal also provides for additional fee collection to recover the costs of tax collection from noncompliant taxpayers.
- ◆ **Large Corporate Understatement Penalty:** Changes the manner in which corporations that understate their tax liability are assessed a fee. This provision

## THE 2010-2011 STATE BUDGET

### FLOOR REPORT

would reduce revenues by about \$100 million. Only corporations that have excessive understatements relative to their total tax liability would be charged the fee. Corporations that make relatively minor errors—constituting less than 20% of their total liability—would fall under a safe harbor exemption and be charged a fee.

- ◆ **Exemption NOL Suspension for Small Business and Certain Taxpayers:** Small businesses that have income of less than \$300,000 annually would be allowed to claim NOL deductions. In addition, companies that purchased other companies and had one time capital gains in 2008 would be able to use NOLs to offset these one time gains.
- ◆ **Change in Apportionment Method for Corporations:** The provision would allow companies who are unable or chose not to elect the single sales factor apportionment method to use an alternative means of determining what sales occur in California. Companies with large sales in California and production outside of the state will benefit from this provision.
- ◆ **Transient Occupancy Tax:** The provisions in this bill would specify that the transient occupancy tax levied by many local governments would be applied to the amount actually paid to the hotel for the room. The tax would not apply to any booking fees or additional amounts charged by travel agents and paid by the customer.
- ◆ **Williamson Act:** The provisions in this bill would provide additional changes to the Williamson Act. Recently adopted law allows counties to renegotiate contracts with landowners and realize a corresponding increase in property tax revenues based on a reassessment of the property. This provision would give direction to counties for calculating lost property taxes and reassessing properties.
- ◆ **Redevelopment Agencies:** The provisions of the bill would allow redevelopment agencies that experienced a significant drop in tax increment revenue to pay amounts owed to ERAF over a period of time. Agencies would have needed to adopt a resolution, failed to make the previously owed payments, and entered into an agreement for repayment with the Department of Finance.



# THE 2010-2011 STATE BUDGET

## FLOOR REPORT

### General Fund Budget Package Summary With Solutions (Dollars in Millions)

	2009-10	2010-11
Prior Year Balance	\$-5,351	-\$4,780
Revenues and Transfers	<u>\$86,920</u>	<u>\$94,230</u>
<b>Total Resources Available</b>	<b>\$81,569</b>	<b>\$89,450</b>
Non-98 Expenditures	\$50,572	\$51,326
Prop-98 Expenditures	<u>\$35,777</u>	<u>\$36,223</u>
<b>Total Expenditures</b>	<b>\$86,349</b>	<b>\$87,549</b>
<b>Fund Balance</b>	<b>-\$4,780</b>	<b>\$1,901</b>
<b>Budget Reserves:</b>		
<i>Reserve for Liquidation of Encumbrances</i>	\$1,537	\$1,537
<b>Final Reserve</b>	<b>-\$6,317</b>	<b>\$364</b>

# THE 2010-2011 STATE BUDGET

## FLOOR REPORT

### Tracking: How the Gap is Closed

(dollars in millions)

**Starting Problem:**..... **-\$17,900**

#### **Expenditure Solutions:**

- ◆ **Health and Human Services**
  - Child care savings funds shifts/caseload adj.....\$296
  - Child care reductions .....\$48
  - DHCS County Admin Estimate .....\$22
  - DHCS Hospital Rate Freeze .....\$85
  - DHCS Managed Care Enrollment .....\$187
  - DHCS Medi-Cal Anti-Fraud.....\$26
  - DHCS Radiology Rate Reduction .....\$14
  - DDS Regional Center Reduction .....\$25
  - DMH Caseload update.....\$21
  - DSS IHSS Provider Fee .....\$190
  - DSS IHSS 3.6% hour reduction.....\$35
  - DSS IHSS caseload savings.....\$75
  - Various other minor reductions .....\$78
  - Restoration of Vetoed Programs .....-\$170
- ◆ **K-12 and Higher Education**
  - K-14 Prop 98 Savings (09-10, and 10-11 combined) .....\$3,081
  - Higher Ed Savings From Federal Funds .....\$212
- ◆ **Corrections and Public Safety**
  - Inmate Medical Care Costs.....\$820
  - CDCR Population Estimate Update.....\$200
  - CDCR local payments in arrears.....\$46
  - Judicial Branch Savings .....\$55
  - Restored veto of Domestic Violence Shelter Funds .....-\$19
- ◆ **Resources and Environmental Protection**
  - State Parks Funding .....\$7
  - Fish and Game .....\$7

# THE 2010-2011 STATE BUDGET

## FLOOR REPORT

- ◆ Employee Compensation
  - 5% Cap on Payroll Costs .....\$450
  - OE&E savings with 5% Payroll Cap .....\$130
  - OPEB Prepayment Delay.....\$98
  - Six Collective Bargaining Agreements.....\$75
  - Savings contingent on remaining Agreements .....\$896
- ◆ General Government and All Other .....\$371

**Sub-Total, Expenditure Reductions .....\$7,500**

**Federal Funds: .....\$5,400**

### **Additional Revenues Solutions:**

- ◆ LAO updated forecast .....\$1,360
- ◆ Suspend Net Operating Loss.....\$1,200
- ◆ Cost of Performance and Under-reporting penalty changes .....-\$148

**Sub-Total, Additional Revenue Solutions.....\$2,400**

### **Alternative Funding, Fund Shifts and Other Revenues:**

- ◆ Prop 98 Settle-up Payment.....-\$300
- ◆ Updated Scoring from existing asset sales (above base) .....\$911
- ◆ Updated Funding Source for Trail Courts .....\$350
- ◆ Hospital Fees for Children Health Costs .....\$240
- ◆ Prop 99 Funds for Medi-Cal .....\$36
- ◆ Shift Corrections Capital Outlay costs to AB 900 .....\$24
- ◆ Shift Cal Grant Costs to Excess Student Loan Funds.....\$100
- ◆ Special Fund Loans .....\$1,916
- ◆ All other Alt. Funding, Fund Shifts, and Other Revs .....\$76

**Sub-Total, Alt Funding, Fund Shifts, and Other Revenues.....\$3,353**

**Workload Adjustment ..... - \$281**

**Grand Total, Solutions .....\$18,300**

**Final Reserve .....\$364**

**THE 2010-2011 STATE BUDGET****FLOOR REPORT****Budget Package Bill List**

<b>Assembly Side</b>	<b>Subject</b>	<b>Senate Side</b>
SB 870	2010-11 Budget	AB 1630
SB 850	Education	AB 1610
SB 851	P98 Suspension	AB 1611
SB 852	Human Services	AB 1612
SB 853	Health	AB 1613
SB 854	Transportation	AB 1614
SB 855	Resources	AB 1615
SB 856	General Government	AB 1616
SB 857	Judicial	AB 1617
SB 858	Revenues	AB 1618
SB 859	Elections (Budget Reform)	AB 1619
SB 860	Public Works Board	AB 1620
SB 861	FI\$CAL	AB 1621
SB 863	Richmond/Williamson Act	AB 1623
SB 864	Cash	AB 1624
SB 867	Transparency Only	AB 1625
SB 868	Public Safety	AB 1628
SB 869	DDS Bay Area Housing	AB 1629
SB 871	Pension Reform	AB 1631
SB 872	Small Business Bill	AB 1632
ACA 4	Budget Reform	SCA 10
SB 866	JPA - Mandates	N/A
AB 6X 10	Sec. Of Volunteerism	SB 6X 22
SB 848	Transit Occupancy Tax	N/A
<b>OTHER BILLS</b>		
SB 208	1115 Waiver	AB 342
SB 865	MOU - SEIU	AB 1625